

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Agriculture Committee

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BILL: CS/SB 1646

INTRODUCER: Agriculture Committee and Senator Atwater

SUBJECT: Agriculture/Tax/Fuel & Electricity

DATE: March 8, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Weidenbenner	Poole	AG	Fav/CS
2.	_____	_____	GE	_____
3.	_____	_____	WM	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This committee substitute bill revises the meaning of exempt diesel fuel and adds electricity to the list of items exempt from sales tax resulting in both of these products being exempt from sales tax when used on farms for production or processing of agricultural products.

This bill substantially amends sections 212.0501(3) and 212.08(5)(e) of the Florida Statutes.

## II. Present Situation:

Section 212.0501(3) exempts diesel fuel used for residential purposes from sales tax applicable to the "consumption, use, or storage by a trade or business." This exemption does not expand to cover diesel fuel used in farm equipment or on a farm to process farm products.

Section 212.08, F.S., provides for specific exemptions from the sales and use tax imposed by chapter 212, F.S. Exemptions generally take the form of identifying items specifically exempt, categorizing certain items as exempt when used for particular purposes, and exempting purchases or sales by certain types of organizations, such as the government, churches, and charitable organizations. Section 212.08(5), F.S., sets forth exemptions for sixteen different categories on account of use. This section provides an exemption for gas used exclusively on a farm or for processing farm products on the farm, but electricity used for those same purposes is not exempt.

**III. Effect of Proposed Changes:**

**Section 1.** Amends 212.0501(3) to expand the meaning of diesel fuel exempt from sales tax to include diesel fuel when used exclusively in equipment on a farm or for processing farm products.

**Section 2.** Amends 212.08(5)(e) to exempt electricity used on farms from sales tax. To be exempt, the electricity must be used directly and exclusively for production or processing of agricultural products and must be separately metered.

**Section 3.** Provides that this act shall take effect July 1, 2006.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

The 2006 Revenue Estimating Conference projects that the exemption from sales tax for diesel fuel and electricity used for certain agricultural purposes would result in a loss of General Revenue of about \$4.1 million on an annualized basis for FY 2006-2007 and \$3.2 million on a cash basis for FY 2007-2008.

**B. Private Sector Impact:**

A monetary benefit would accrue to farmers in the same amount as the General Revenue loss.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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## **VIII. Summary of Amendments:**

None.

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